



FOOD MARKETING POLICY CENTER

NEWSLETTER

Department of Agricultural and Resource Economics
College of Agriculture and Natural Resources
University of Connecticut

Mission

The Food Marketing Policy Center conducts research on food and agricultural marketing and related policy questions. It facilitates research within the land grant university system by organizing meetings and conferences, by maintaining large scale data bases and by distributing publications. The general intent is to provide information that can contribute to improved performance of the food production and marketing system. Key users include farmer and consumer organizations, agribusiness firms, public agencies, state legislatures, and the U.S. Congress.

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Newsletter Editorial:

NE-165: Private Strategies, Public Policies and Food System Performance: A Requiem

by *Ronald W. Cotterill*

Regional Research Project, NE-165, will end this Fall. The Food Marketing Policy Center at the University of Connecticut and Massachusetts has served as its core research group since the project's inception in 1986. NE-165 was one of two projects, the other being NC-194, Organization and Performance of World Food Systems, that followed in the wake of NC-117, a regional project that hosted the prior generation's agricultural marketing research from 1974 to 1984. So, for nearly 30 years the agricultural economics profession has had a preeminent research forum for work on industrial organization of food markets, vertical coordination, cooperatives as an element of market structure, international aspects of food industry conduct, and antitrust policy. Food safety was a new addition to the research venue in NE-165. This focus on marketing was often an antidote to the Chicago bias of the profession—i.e., commodity price analysis in competitive markets.

NE-165 started in 1986 with a strong push by Dr. Clark Burbee, CSREES, and the unbridled enthusiasm of four, then young, marketing economists: Carol Kramer (now at USDA, then at Cornell), Richard Rogers and Julie Caswell (UMass), and yours truly at UConn. The Wisconsin-Michigan State heritage of NE-165 was undeniable. A commitment to research on public marketing policy issues was a given. An openness to new faces, especially women and minorities and new as well as established methods, created many lively and exciting conferences. Today at its culmination NE-165 members include 104

cooperating researchers from 55 universities or government agencies from 9 countries. One can ask for no better evidence of the open and affirming approach of NE-165 to intellectual inquiry.

Different observers will undoubtedly have different opinions as to the impacts of NE-165 and its predecessor, NC-117. Permit me to list just one with which I am well acquainted. Research on the relationships between seller concentration, leading firm market shares and supermarket prices in local markets has served as a basis for antitrust enforcement for 30 years. Food Marketing Policy Center Research Report No. 2, "Mergers and Concentration in Food Retailing: Implications for Performance and Merger Policy," testimony before Peter Rodino's House Judiciary Subcommittee on antitrust in 1988, marked a return towards more vigorous merger enforcement after the contestable market follies of the Reagan years. NE-165 research on retailing provided the basis for the State of California Attorney General's successful challenge, after tepid action by the FTC, of the American Stores-Lucky merger in 1989. This was the first state level enforcement of federal merger law. On appeal the U.S. Supreme Court unanimously ruled that State Attorneys General had the right to operate along side the FTC and Justice Department to enforce the federal antitrust laws. Consequently, the state antitrust movement that brought us the Microsoft case, and many enforcement actions in food industries, was born. NE-165 and NC-117 researchers have contributed to the evolution of the American economy and economic policy.

In many ways regional research projects such as NC-117 and NE-165 are truly history. The land grant research complex no longer supports regional research at the level it once did. Perhaps AAFA sections will create forums for research at the annual meeting. Perhaps Centers such as the Food Marketing Policy Center, and its sister Centers elsewhere will step in to create specialized research conferences where exchange of ideas and learning

occurs. Policy oriented research on food marketing issues remains in critical short supply. The internet and journals are forums for scholarship and communication, yet they are no substitute for the face to face presentation of papers, the ensuing debate, and those wonderful after hour dinners and discussions that were the heart and spirit of NE-165. Thank you everyone who participated, and Godspeed.

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Cooperating Research Personnel at Other Universities

Günter J. Hitsch, University of Chicago Graduate School of Business. Tel. (773) 834-7680, email guenter.hitsch@gsb.uchicago.edu.

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Visitors to the Center

Adam David Rennhoff, Ph.D. candidate from the University of Virginia, (Dept. of Economics) visited the FMPC from March 11-15, 2002 and from May 28-June 10, 2002 to use the FMPC IRI scanner data. On Tuesday, June 4th he presented a seminar titled, “A Theoretical and Empirical Investigation of Slotting Allowances in the Grocery Industry.”

Personnel Changes

Donghun Kim will be joining the FMPC effective August 23, 2002 as an assistant professor in residence. He completed his Ph.D. with Robert Masson at Cornell University using the Center’s data to estimate cost pass through models, among other topics.

Jeremy Foltz resigned effective May 23, 2002 and is leaving the University of Connecticut to accept a position at the University of Wisconsin, Madison.

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Recent Placements

Maria Calvo, M.S. UConn, will be a Market Research Analyst with Intellisponse, a leading market research company in Waterbury, CT beginning August 1, 2002.

John Mott, M.S. UConn, has accepted a position as an agricultural economist for Grain Inspection, Packers & Stockyards Administration, Competition Unit, in Denver, Colorado.

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Food Marketing Policy Center Graduate Assistantships Available, Spring 2003

The Food Marketing Policy Center in the Department of Agricultural and Resource Economics has graduate assistantships available at the Ph.D. level. Students with interest in

organization of food industries and one or more of the following: demand and price transmission analysis, comparative analysis of U.S. and European foods systems, cooperatives, industrial organization economics, or antitrust policy are encouraged to apply. Support will be for four years. For further information, please contact Ronald W. Cotterill, Director, Food Marketing Policy Center, Storrs, CT 06269-4021. Tel. (860) 486-2742, Fax (860) 486-2461, or Email: Ronald.Cotterill@uconn.edu.

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NE-165 Announcements

NE-165 is the co-organizer of a symposium on The Economics of Innovation for Improved Food Safety in the United States to be held at the annual meeting of the American Agricultural Economics Association (AAEA) in Long Beach, CA in late July. The symposium focuses on strategies for innovation, case studies, and the use of traceability in assuring food safety.

A reminder: Regional Research Project NE-165 is slated to end as of September 2002. We suggest that interested researchers consider joining the relevant Sections of the AAEA (see <http://www.aaea.org/sections/sections/> for details).

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AGRIBUSINESS: An International Journal update by R. W. Cotterill, Editor

Agribusiness, and more than a dozen other economic journals, are now available on line to subscribers at (www.interscience.wiley.com). The journal is also indexed in Econlit.

Instructions for manuscript submissions are available by email: (FMPC@UCONN.EDU). Manuscripts are submitted electronically to the same address. Articles appearing in Issues No. 1 and 2, 2002 are as follows:

Agribusiness (18:1) Winter 2002

"Innovation in the Food Industry" by W. Bruce Traill and Matthew Meulenberg.

"Product Diffusion and the Demand for New Food Products" by Yann Duval and Arlo Biere.

"Asymmetry in Farm to Retail Price Transmission: Evidence from Brazil" by Danilo R.D. Aguiar and Josana A. Santana.

"Vertical Integration and Trade Policy: The Case of Sugar" by Charles B. Moss and Andrew Schmitz.

"Food Trade Balances and Unit Values: What Can They Reveal About Price Competition?" by Mark J. Gehlhar and Daniel H. Pick.

"Geographic Diversification Strategy and the Implications of Global Market Integration in Table Grapes" by Angela M. Krueger, Victoria Salin, and Allan W. Gray.

"Borrowing Constraints and the Agricultural Investment Decision Process" by Luciano Guitierrez.

"Impacts of Six Genetic Modifications of Corn on Feed Cost and Consumption of Traditional Feed Ingredients" by Tun-Hsiang Yu, C. Phillip Baumel, Connie L. Hardy, Marty J. McVey, Lawrence A. Johnson, and Jerry L. Sell.

Book Review by Dennis M. Conley
When genius failed: The rise and fall of long-term capital management, by Roger Lowenstein. New York: Random House, 2000.

Agribusiness (18:2) Spring 2002

"Estimating Strategic Price Response Using Cointegration Analysis: The Case of the Domestic Black and Herbal Tea Industries" by Steven S. Vickner and Stephen P. Davies.

"Changes in Beef Consumption and Retailing Competitiveness in Brazil: A Rapid Appraisal" by Danilo R.D. Aguiar and Andrea Lago da Silva.

"A Repositioning Strategy for Olive Oil in the UK Market" by Marian Garcia Martinez, Zulema Aragoles, and Nigel Poole.

"Price Relationships in the Queensland Barley Market" by Jyothi Gali and C.G. Brown.

"Food Expenditure Patterns of the Hispanic Population in the United States" by Bruno A. Lanfranco, Glenn C.W. Ames, and Chung L. Huang.

"Changes in Foot and Mouth Disease Status and Evolving World Beef Markets" by Javier Ekboir, Lovell S. Jarvis, Daniel A. Sumner, Jose E. Bervejillo, and William R. Sutton.

"Factors Influencing Probability and Frequency of Partnership Activity in Agricultural Cooperatives" by Darren Hudson and Cary W. Herndon.

"Impacts from Meatpacking Firm Mergers in an Experimental Market" by Clement E. Ward and Jong-In Lee.

Book Review by Frank J. Dooley
Food Industry and the Internet, by Drew Smith. Oxford, UK:Blackwell Press, 2001.

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Activity Report

Ronald W. Cotterill

(*Ag. Econ., University of Connecticut*)

Ron served as expert economist for Hoffmann LaRoche, Aventis, Takeda, and BASF in a vitamin price fixing case. This work was done with Analysis Group, Cambridge, Massachusetts.

Ron attended the 2002 Western Canadian Dairy Seminar from March 5 to 8, 2002, in Red Deer, Alberta, Canada, and presented a seminar titled, "Who Benefits from Deregulated Milk Prices: The Missing Link is the Marketing Channel."

Ron delivered a seminar on March 7, 2002 titled, "Structural Models of Price Transmission in Imperfectly Competitive Market Channels" to the combined Department of Rural Economy/Alberta Agricultural Economics Association group at the University of Alberta, Canada.

Ron is serving as expert economist for the analysis of the proposed acquisition of Big V Supermarkets by Royal Ahold/Stop & Shop. He made presentations at the FTC, and for the New Jersey and New York Attorneys General. This work is for the Wakefern Food Corporation.

Julie Caswell

(Ag. Econ. University of Massachusetts)

Julie has been awarded a Certificate for Research Excellence in the first College of Food and Natural Resources Outstanding Research competition.

Julie is working with the Pew Initiative on Food and Biotechnology on information issues related to foods produced with modern biotechnology. She will lead the discussion of the Stakeholders Forum on labeling and advertising of products produced with the use of genetic modification.

Julie has been invited by the Milbank Memorial Fund to participate in a Working Group aimed at improving how the U.S. food safety system works. The group is being organized by Michael Taylor (Resources for the Future), Glenn Morris (University of Maryland School of Medicine), and Catherine Woteki (Iowa State University).

Dr. Jongjit Angkatavanich will be a visiting professor in the Department of Resource Economics in June and July. Dr. Angkatavanich is an Associate Professor in the Department of Food

Chemistry, Mahidol University, Bangkok, Thailand. She will be working with Julie Caswell.

Bruce Larson

(Ag. Econ., University of Connecticut)

Bruce continues work related to environmental regulations, eco-labels, mandatory food product labels and international trade in agricultural and food markets. Research on environmental regulations and trade will be published this summer in, Larson, B.A. et al. "The Impact of Environmental Regulations On Exports: Case Study Results from Cyprus, Jordan, Morocco, Syria, Tunisia, and Turkey", forthcoming, *World Development*, June 2002. Regarding eco-labels, a paper on the market implications of a shade coffee label is currently under journal review.

Regarding mandatory product labels, Bruce continues to supervise two dissertations currently in progress. Sara Scatista has drafted her dissertation that investigates the trade and welfare effects in beverage markets of the Germany bottle reuse policy. She is scheduled to defend her dissertation in August 2002.

Shinano Hayashi continues his dissertation research on the trade effects of the recently adopted Japanese policy on the mandatory labeling of food items (e.g. tofu) produced with genetically-modified ingredients (e.g. Roundup-Ready Soybeans).

Nathalie Lavoie

(Ag. Econ. University of Massachusetts)

Nathalie continues her work on price discrimination in wheat trade and on the internet (with Andreea Rotaru).

Nathalie was awarded a Lilly Teaching Fellowship for the 2002-2003 school year.

Rigoberto Lopez*(Ag. Econ., University of Connecticut)*

Rigoberto continues to work with Ronald Cotterill and Benaissa Chidmi on issues related to retail milk market power in the Northeast. He also continues to work with Azzeddine Azzam (Nebraska) on issues related to productivity and industrial concentration in the food industries.

Benaissa Chidmi, Rigoberto Lopez and Ronald Cotterill presented a paper entitled, "The Impact of the Northeast Dairy Compact on Milk Retail Prices" at the June 2002 meetings of the Northeastern Agricultural and Resource Economics Association in Harrisburg, Pennsylvania.

Richard Rogers*(Res. Econ., University of Massachusetts)*

Richard and Dr. Ed Jesse (University of Wisconsin-Madison) continue working on a case study of the cranberry industry. Matt Lambert, a Master's student at UMass, is writing his thesis on the industry where he tries to estimate annual production levels in each of the major growing states and provinces. Dan Lass and Nathalie Lavoie also serve on Matt's thesis committee.

UMass Master's student, Matt Palmer, will write a thesis on the butter/margarine industry. We are buying data from IRI, which will give brand level information for 32 city/markets around the U.S. IRI has placed many restrictions on the use of the data, which greatly limit its value to academic researchers, but the micro-level data are needed for a brand level demand model. Nathalie Lavoie will chair his committee and Dan Lass and Richard also serve on his committee.

Richard received a \$38,000 grant from the Davis Foundation to redesign the teaching of large classes. Dan Lass, Bernie Morzuch and Sylvia Brandt join him in this project.

Richard was appointed as the Faculty Associate to the Center for Teaching at UMass for the 2002-03 academic year.

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Data Corner**Recent acquisitions include:**

Metro Market Studies *Discount Store Distribution Analysis and Guide 2002.*

Metro Market Studies *Drug Store Distribution Analysis and Guide 2002.*

Trade Dimension's *Market Scope. The Desktop Guide to Category Sales 2002.*

Trade Dimension's *Directory of Mass Merchandisers, 2002.*

The Food Marketing Policy Center has extensive holdings of Competitive Media Reporting, Leading National Advertisers, national advertising data, 1987-1997. Contact the Policy Center for details on specific holdings.

The Food Marketing Policy Center subscribes to the following trade journals; the current holdings are listed for each publication:

Promo, Promotion Marketing Worldwide, November 1997-current.

Progressive Grocer, The Publication for Strategic Management, November 1987-current.

Sales and Marketing Management, January, 1989-current.

Supermarket Business, 1996-current.

Supermarket News, The Weekly Newspaper of Food Retailing, 1980-current.

DM News, The Weekly Newspaper of Record for Direct Marketers, beginning May 2000.

Food Institute Report, 1984, 1985, 1988-current.

Private Label, The Magazine for the Brands. 1993-current.

Cooperative Grocer, For Retailers and Cooperators. 1994-current.

Cheese Reporter, Serving the World's Dairy Industry Weekly, 2000-current.

The Griffin Report of Food Marketing, 1991–current.

The Milkweed, The Farmer's Milk Marketing Report, Oct 2000-current.

Contact Andrew Franklin (860) 486-2826 for a complete listing of data and reference works available.

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Food Marketing Policy Center Publications Catalog

We have updated the list of the publications that are available through the Center. Call (860) 486-1927, write for a copy, or print it from our Home Page: <http://www.are.uconn.edu/FMktc.html>

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Recent Publications and Papers

Chidmi, Benaissa. "Retail Market Power Across U.S. Fluid Milk Markets." M.S. thesis, University of Connecticut, (Rigoberto Lopez, advisor).

Cotterill, Ronald W. 2002. "Who Benefits from Deregulated Milk Prices: The Missing Link is the Marketing Channel" in John Kennelley, editor, *Advances in Dairy Technology*, Vol. 14. University of Alberta: Alberta, 2002. P. 111-126.

Cotterill, Ronald W. "Structural Models of Price Transmission in Imperfectly Competitive Market Channels." Presented at the Department of Rural Economy/Alberta Agricultural Economics Association meeting, University of Alberta, Canada, March 7, 2002.

Cotterill, Ronald W., and Pierre Samson. "Estimating a Brand Level Demand System for American Cheese Products to Evaluate Unilateral and Coordinated Market Power Strategies." *American Journal of Agricultural Economics*, (forthcoming, 2002).

Cotterill, Ronald W. "The Impact of the Northeast Dairy Compact on New England Consumers: A Report from the Milk Policy Wars." *Review of Agricultural Economics*, (forthcoming, 2002).

Dhar, Tirtha, P., Jean-Paul Chavas, Brian W. Gould, and Ronald W. Cotterill. "An Economic Analysis of Brand Level Strategic Pricing Between Coca Cola and Pepsi Cola, Inc." Paper presented at INRA Conference on Industrial Organization of Food Industries, Toulouse, June 15-17, 2002.

Hathie, Ibrahima and Rigoberto A. Lopez. "The Impact of Market Reforms on the Senegalese Peanut Economy." *Journal of International Development* 14(2002):forthcoming.

Lopez, Rigoberto A., Azzeddine Azzam, and Carmen Liron-Espana. "Market Power and/or Efficiency: A Structural Approach." *Review of Industrial Organization*, 20 (March 2002): pp: 115-126.

Lopez, Rigoberto A. and Carmen Liron-Espana. "Social Welfare and the Oligopoly-Efficiency Tradeoff in U.S. Food Processing." *Journal of*

Agricultural and Food Industrial Organization, 1
(2002): forthcoming (first issue).

Lopez, Rigoberto A. and Elena Lopez. “The Impact of Imports on Price Cost Margins: An Empirical Illustration.” *Empirical Economics* 27
(2002): forthcoming.

Teisl, Mario F. and Julie A. Caswell. “Information Policy and Genetically Modified Food: Weighing the Benefits and Costs.” Paper presented at the 2nd World Congress of Environmental and Resource Economists, Monterey, California, June 2002.

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